

# Council tax debt collection isn't efficient or effective

An estimated 2.2 million households are behind on their council tax.<sup>1</sup> It is the most common debt problem Citizens Advice helps people with, impacting 86,000 clients in England last year.

Overall, council tax collection rates are very high. But this does not tell the whole story.

When people fall behind on council tax, the regulations governing how arrears are collected are inflexible. They push councils to take unnecessarily aggressive action, causing debts to spiral and become unmanageable.

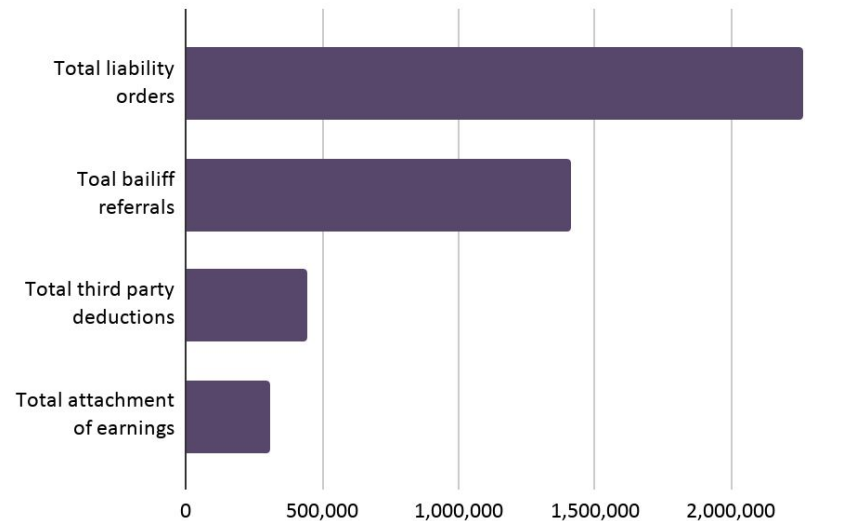
We sent a Freedom of Information request to all councils in England. 286 councils responded. Our findings suggest these regulations are not only failing households - they're also failing councils.

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## Regulations push councils to use courts and bailiffs to collect council tax arrears

Last year, councils issued nearly 2.3 million liability orders and used bailiffs over 1.4 million times to collect council tax.<sup>2</sup> They used other methods, such as third party deductions from benefits, far less.

### Collection methods used by councils 2018/19



Source: Citizens Advice analysis of Freedom of Information Requests

Rather than helping people get their finances on track, the regulations governing council tax debt collection encourage collection activities that push them further into debt.

In particular:

- **When people miss a single payment, they become liable for the full bill.** This makes it harder for people to get back on track.
- **Councils have limited powers to recover debt without getting a court order.** This pushes councils to use the expensive court process.

These regulations push councils to use bailiffs, who are ineffective and expensive.

In 2018/19...



2.2 million households are behind on their council tax bill



Bailiffs were used 1.4 million times for council tax



Bailiffs failed to collect £790 million



Bailiffs cost councils and households nearly £200 million

## Bailiffs mistreat people...

Janice recently left her abusive partner and lives alone with her 7 year old child. She earns around £600 per month, has a payday loan, rent arrears and council tax arrears of £1,300. Her council referred this to bailiffs, who added additional charges.

The bailiff called Janice, saying he was waiting outside her house and would empty it of all belongings if she didn't offer to pay £400 per month. Janice felt very intimidated, so paid £50 and offered another £50 per week.

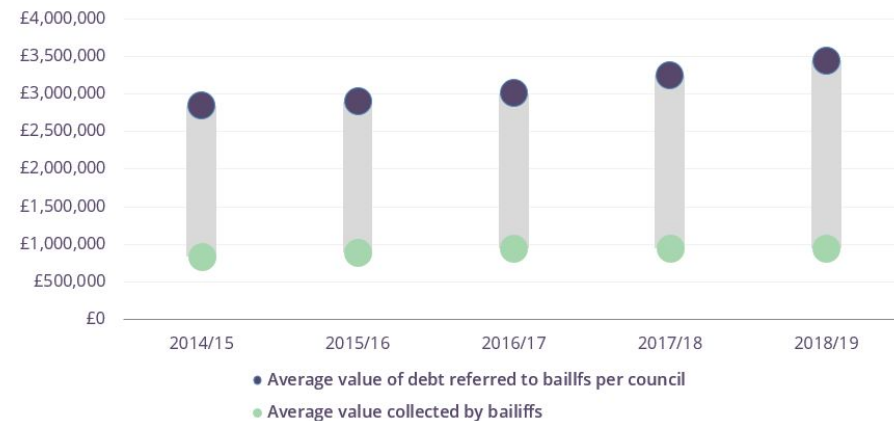
When Janice came to Citizens Advice, she was in tears. She felt she was coerced into paying money she didn't have. She is very worried about how she will pay her bills.

## Bailiffs are ineffective

The frequent use of bailiffs to collect council tax debt is particularly damaging. They not only often mistreat people, they're ineffective.

Bailiffs consistently do a bad job at collecting council tax debt. Over the last 5 years, on average they have collected just 30% of the debt they were sent.<sup>3</sup>

### Average debt referred to, and collected by, bailiffs



Source: Citizens Advice analysis of Freedom of Information Request

The total value of debts referred to bailiffs each year has been steadily increasing since 2014. Over the same time period, the value of debts collected has remained broadly constant. **In 2018/19:**<sup>4</sup>



For every £1 referred to bailiffs for collection, councils received **just 27p in return**



Bailiffs failed to collect an average of **£2.5 million per council**



In total, bailiffs failed to collect **over £790 million**

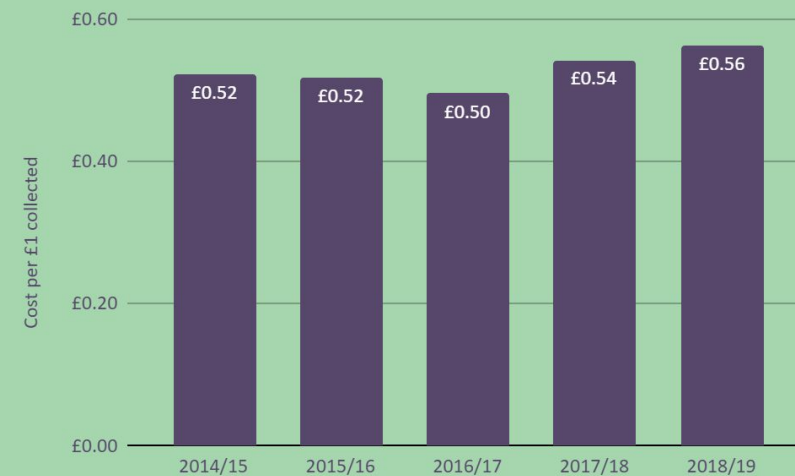
## Bailiffs are expensive

Bailiffs are also expensive. Over the last 5 years, councils estimate bailiffs have cost over £600,000 per council, each year.<sup>5</sup> That includes:

- Administration costs paid by the council
- Fees paid by people in debt
- Wider costs to the taxpayer

In that time, bailiffs have cost 53p for every £1 they recovered for councils.<sup>6</sup>

### Average cost of bailiffs for each £1 recovered

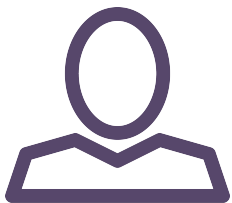


Source: Citizens Advice analysis of FOI Request

Last year councils estimate bailiffs cost a total of £196 million.<sup>7</sup> Most of these costs are paid by people in financial difficulty.

This represents money that could otherwise be used to pay back council tax arrears directly to the council.

These costs raise questions about the 'value for money' offered by bailiffs.



### Bailiffs make people's debts worse...

Kaream has multiple physical and mental health conditions. He lives alone.

He recently missed a payment of £13.56 for his council tax.

He missed the payment because he was in hospital at the time for his mental health condition.

When Kaream returned home from hospital, his debt had grown to £325.56 due to court and bailiff charges.

That was just 12 weeks after missing a small payment.

## Council tax debt collection pushes people further into debt

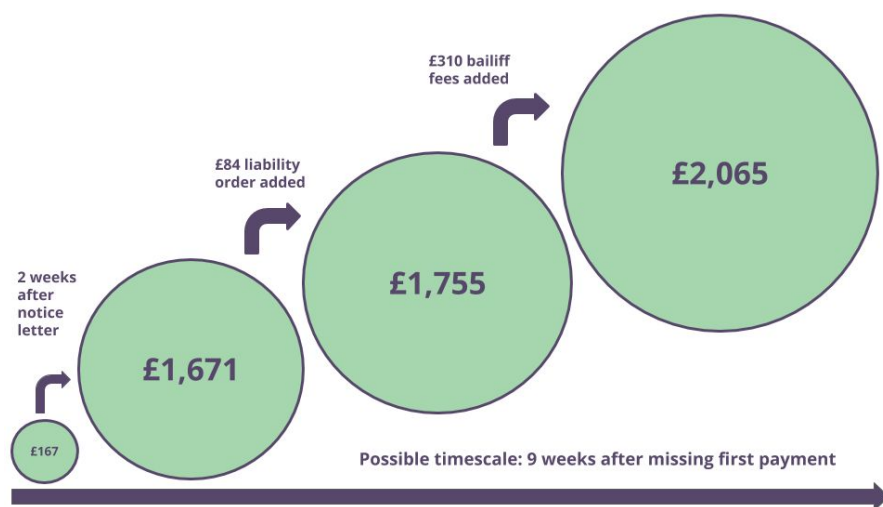
Inefficient council tax collection pushes people further into debt.

Last year, councils estimate bailiff costs totaled £196 million.

Some of those costs fall on the council directly. A large proportion are added on top of people's debts.

For people in debt, that means small debts can escalate quickly into very unmanageable ones.

### How council tax debts are increased by the collection process



Source: Citizens Advice, *The Costs of Collection*

Bailiff fees and court costs mean an average Band D council tax payer could see a debt of £167 increase to over £2,000 less than two months after falling behind on the bill.

## The next government needs to help councils collect debt more efficiently

The rules governing how local authorities collect council tax should be reviewed to make it easier for councils to improve their debt collection.

There are lots of possible changes that would help. As a minimum, the next government should amend the Council Tax (Administration and Enforcement) Regulations 1992 to:

### 1. Stop people being asked to pay their entire annual bill if they miss 1 monthly payment

This would make it easier for people to arrange and keep up with repayments.

### 2. Give councils the power to initiate deductions from benefits without getting a liability order

These would need to be made at affordable levels so people could continue making repayments.

### 3. Set out more steps councils must take before using the court process

This would ensure that all people in debt are given the option of affordable repayments to get back on track.

### 4. Remove the threat of imprisonment for council tax arrears in England

This would protect the most vulnerable people and change the culture of debt collection to be more positive.

# Methodology and notes

## The Freedom of Information Request

- We sent a FOI request to all 317 English Councils between 25 April and 30 July 2019. Our analysis is based on the 286 responses we had received by 15 October. We asked local authorities to provide information for each financial year between 2013-2019 on:
  - Number of liability orders, bailiff referrals, repayment plans, third party deductions and attachment of earnings orders
  - Total value of debt referred to bailiffs
  - Value of arrears recovered` by bailiffs
  - Total costs of bailiff action
- The full set of data received from councils, along with the Freedom of Information request itself, can be found on the Citizens Advice website.

## Explanation of statistics used

1. An estimated 2.2 million households are behind on their council tax: This is an estimate based on calculations that can be found in *The Costs of Collection*.
2. Bailiffs were used 1.4 million times to collect council tax: average number of debts referred to bailiffs (base: 272), multiplied by the total number of local authorities.
3. Over the last 5 years, on average bailiffs collected just 30% of the debt they are sent. This was calculated by comparing the average referred to and recovered by bailiffs between 2014 and 2019 using only councils that had provided both pieces of data.
4. In 2018/19: for every £1 referred to bailiffs for collection, councils received just 27p in return. This and the following 2 figures were calculated using the same methodology as above for a single year (base: 197). The average is multiplied by 317 to provide a total estimate.  
In 2018/19: Bailiffs failed to collect an average of £2.5million per council.  
In 2018/19: In total bailiffs failed to collect over £790 million. The final figure is the total referred minus the total collected.
5. Over the last 5 years, councils estimate bailiffs have cost £609,000 per council: this is an average of councils costs where they provided costs data, recovery data, and the costs data was greater than £100,000.
6. Over the last 5 years bailiffs have cost 53p for every £1 recovered. This was calculated using the average over 5 years of the cost and recovery of councils who provided both pieces of data over the 5 years.
7. In 2018/19 bailiffs cost £196 million: this was calculated the same methodology as above for 2018/19 only. The average was multiplied by the number of council tax collecting local authorities.

## Notes

- Citizens Advice data, including case studies, is collected by advisers during advice sessions. Case studies have been anonymised.
- The Council Tax (Administration and Enforcement) Regulations 1992 set out how councils must collect council tax arrears.
- We have estimated the costs of bailiff use to be £196m in 2018/19. This is based on the average cost councils reported in response to the FOI request. Previously we have estimated that bailiff fees added more than £500 million to people's debts in the same period. The full methodology for that estimate can be found in *The Costs of Collection*.
- The process by which council tax debt escalates is as follows: A notice is issued 2 weeks after a bill is due. After a further 2 weeks, people become liable for their total annual bill. If this bill is not paid, after a further 2 weeks councils can issue a court summons and liability order. If the liability order is not paid within 14 days, the debt can be passed to a bailiff incurring a £75 enforcement fee. A further 7 days later, the debt can be escalated to 'enforcement stage'. In total, a debt can escalate to enforcement stage within 9 weeks.